

**Supporting Statement for the
Application for a Foreign Organization to Acquire a U.S. Bank or Bank Holding Company
(FR Y-3F; OMB No. 7100-0119)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend, with revision, the Application for a Foreign Organization to Become a Bank Holding Company (FR Y-1F; OMB No. 7100-0119). Under the Bank Holding Company Act (BHCA), submission of this application is required for any company organized under the laws of a foreign country seeking to acquire a U.S. subsidiary bank or bank holding company. Applicants must provide financial and managerial information, discuss the competitive effects of the proposed transaction, and discuss how the proposed transaction would enhance the convenience and needs of the community to be served. The Federal Reserve uses the information, in part, to fulfill its supervisory responsibilities with respect to foreign banking organizations in the United States.

Currently, foreign organizations seeking initial entry are required to file the FR Y-1F. However, the filing requirements are ambiguous for foreign organizations that are already subject to the BHCA and seek to acquire a U.S. bank or bank holding company. In order to clarify and streamline the application process for foreign organizations the FR Y-1F would be retitled, renumbered, and modified to achieve consistency with the FR Y-3, the Application for Prior Approval to Become a Bank Holding Company or for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (OMB No. 7100-0121), the form used by domestic holding companies. Also, the Federal Reserve proposes technical clarifications to the instructions that would remove page number references to the Interagency Biographical or Financial Report (FR 2081c; OMB No. 7100-0134) and insert a sentence into the standard commitment language in order to make the commitments more enforceable.

The Federal Reserve has acted on twenty-six applications from foreign organizations in the past three years. The current annual burden is estimated to be 360 hours and would increase to 710 hours with the proposed revisions. A copy of the application, marked to show the proposed revisions, is attached.

Background and Justification

The FR Y-1F was first used in 1982. Prior to the creation of the FR Y-1F, foreign applicants filed the FR Y-1, together with a special supplement.¹

The information collected in the application form is necessary for the Federal Reserve to fulfill its responsibilities under the BHCA and the Foreign Bank Supervision Enhancement Act. The application is the only source of comprehensive and systematic data on the proposed

¹ The FR Y-1 (OMB No. 7100-0119), was designed for domestic applicants; the supplement adapted the FR Y-1 for submissions by foreign applicants. In 1994, the FR Y-1 was combined with the FR Y-2 (OMB No. 7100-0171) to create the FR Y-3 (OMB No. 7100-0121). The FR Y-1 and FR Y-2 were discontinued.

transaction, on the present and pro forma financial condition of the applicant and its proposed subsidiary(ies), on the likely competitive effects of the proposal and on its likely effects on the convenience and needs of the public. Thus, the Federal Reserve uses the data to determine if proposals are financially sound, competitively acceptable, and consistent with the public interest. In addition, among other things, the form collects information on foreign bank applicants to determine if the comprehensive consolidated supervision standard is met. Such information is also used after consummation in the supervision program for foreign banking organizations.

Description of Information Collection

The current FR Y-1F is filed by any company, organized under the laws of a foreign country, seeking initial entry through the acquisition of a bank or bank holding company in the United States. Applicants provide financial and managerial information and discuss the competitive effects of the proposed transaction and how the proposed transaction would enhance the convenience and needs of the community to be served. The application must contain the most recent information available so that Federal Reserve staff can analyze compliance with relevant statutory factors.² While the application collects the minimum amount of information needed, the instructions explicitly state that the formal questions in the application are not intended to limit the applicant's presentation.

Proposed Revisions

Currently, foreign organizations seeking initial entry into the U.S. market file the FR Y-1F. However, the filing requirements are ambiguous for foreign organizations that are already subject to the BHCA and seek to acquire a U.S. bank or bank holding company. In order to clarify and streamline the application process for foreign organizations, the Federal Reserve proposes to retitle and renumber the form to the Application for a Foreign Organization to Acquire a U.S. Bank or Bank Holding Company (FR Y-3F)³, and explicitly require foreign organizations to use the proposed form for all bank acquisition transactions. Also, the proposed FR Y-3F would be modified to achieve consistency with the FR Y-3, the form used by domestic holding companies.

To address the fact that the form will now explicitly be used for both initial entry and for foreign organizations that have already received Federal Reserve approval to acquire a bank or establish an office in the United States, existing Items 5, 6, 8, 10, and 13 would be modified by creating two subitems to each question. The first subitem would use the current language that applies to organizations seeking initial entry that requests the full range of information needed to evaluate a foreign applicant for the first time. A new, second subitem would apply only to those organizations that have previously been approved by the Federal Reserve to acquire a U.S. bank or to establish a U.S. branch or agency. These items would also be renumbered due to other

² Under the BHCA, the Board may not approve transactions that would result in monopoly or have other anticompetitive effects, unless such effects are "clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." The BHCA further directs the Board to consider the financial and managerial resources and future earnings prospects of the banks involved in the proposed transaction.

³ The FR Y-3F would retain the FR Y-1F OMB control number.

changes throughout the reporting form. Specifically, proposed Item 4b would request current information on the foreign bank’s ranking by asset size and ownership. Proposed Item 5b would request updated information on the foreign bank’s methods used to monitor and control its worldwide operations since the Federal Reserve’s most recent determination that the foreign bank is subject to comprehensive consolidated supervision. Proposed Item 7b would require the foreign organization to confirm (or modify as appropriate) that there have been no material changes in the manner in which the foreign bank is supervised and regulated by its home country supervisor since the matter was last considered by the Federal Reserve. Proposed Item 9b would require information regarding any material changes in the anti-money-laundering laws and regulations of the home country or in the foreign bank’s anti-money-laundering policies and procedures, since the Federal Reserve’s most recent review of such matters. Finally, proposed Item 14b would require information on any changes to the list of material jurisdictions since such information was previously provided to the Federal Reserve.

Other changes to the proposed FR Y-3F would make the form consistent with the current version of the FR Y-3. The sections of the instructions labeled “Preparation of Application” and “Publication Requirement” would be changed to be consistent with the changes recently made to the FR Y-3. Existing Items 2, 3, 11, and 12, which are all questions related to the target and do not vary depending on whether the applicant is foreign or domestic, are proposed to be changed to conform to the language used in the FR Y-3. The following table summarizes the proposed changes to each line item.

Proposed FR Y-3F	Current FR Y-1F	Current FR Y-3	Proposed FR Y-3F	Current FR Y-1F	Current FR Y-3
1	Item 1		10	Item 11	Item 10
2	Item 2	Item 8	11	Item 12	Item 11
3	Item 3	Items 6 and 7	12	new	Item 12
4	Item 5		13	new	Item 13
5	Item 6		14	Item 13	
6	Item 7		15	Item 14	
7	Item 8		16	Item 15	
8	Item 9		17	Item 16	
9	Item 10		18	Item 17	

Finally, the Federal Reserve proposes two minor technical clarifications. (1) In proposed item 4.a.viii, remove the specific page number references to the FR 2081c. Since reporting forms are often revised, any references to page numbers in other report instructions frequently become outdated. (2) In proposed item 18, insert the sentence “Bank and Parent agree that this commitment is deemed to be a condition imposed in writing in connection with the Federal Reserve’s findings and decision on *(insert information describing the application)* and, as such, may be enforced in proceedings under applicable law.” This proposed sentence would make the commitments more enforceable.

Time Schedule for Information Collection

The applicant is required to publish a notice in a newspaper of general circulation in the community where the head office of the bank to be acquired is located. The notice must state the name and address of the applicant and its proposed subsidiary, and it must invite the public to submit written comments to the appropriate Federal Reserve Bank. The newspaper notice must be published no more than fifteen calendar days before and no later than seven calendar days after the date that the application is filed with the appropriate Reserve Bank. The application will be acted on within sixty days, unless the Federal Reserve notifies the applicant that the processing period is being extended and indicates the reasons for the extension.

Legal Status

The Board's Legal Division has determined that this application is authorized by sections 3(a), 3(c), and 5(a) through 5(c) of the BHCA (12 U.S.C. §§1842(a) and (c) and 1844(a) through (c)). Completion of the application is mandatory for any foreign organization seeking to establish or acquire a U.S. bank or bank holding company. The information provided in the application is not confidential unless the applicant specifically requests confidentiality and the Federal Reserve approves the request. The instructions convey this confidentiality status to applicants.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Estimate of Respondent Burden

In the past three years, the Federal Reserve has acted upon twenty-six applications from foreign organizations to acquire a bank or bank holding company; fifteen applications filed on form FR Y-3 and eleven applications filed on form FR Y-1F. (The burden for the FR Y-3 would be adjusted accordingly.) The estimate of annual burden, shown in the table below, is based on the average number of responses received during the past three years. The estimated average hours per response for initial entry remains the same at ninety hours. The estimated average hours per response for foreign organizations that have already received approval to establish a branch or agency or to acquire a U.S. bank would be seventy hours. This would result in an estimated annual burden of 710 hours, which represents less than 1 percent of total reporting burden for the Federal Reserve System.

	<i>Average number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current FR Y-1F	4	1	90	360
Proposed FR Y-3F				
Initial application	4	1	90	360
Subsequent application	5	1	70	350
Total				710
<i>Change</i>				350

Based on a rate of \$50 per hour, the annual cost to the public for the proposed application is estimated to be \$35,500. This type of application generally is prepared by attorneys and high-level business and financial personnel.

Sensitive Questions

This application contains no sensitive questions, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve of printing, mailing, and processing the form and associated materials is negligible. The application form is available electronically from the Board's Internet site (<http://www.federalreserve.gov/boarddocs/reportforms/>).